



*"Nabisco Serves the Homemaker"*



**1965 ANNUAL REPORT**

**NATIONAL BISCUIT COMPANY**





ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1965

#### ANNUAL MEETING

*The Annual Meeting of shareholders will be held on Wednesday, April 13, 1966, at the Commodore Hotel in New York City. A formal notice of the meeting, together with a proxy statement and proxy form, will be mailed to shareholders approximately 30 days in advance of the meeting.*

## FINANCIAL HIGHLIGHTS



®

	1965	1964
Net sales . . . . .	\$627,300,000	\$607,500,000
Income from operations . . . . .	73,300,000	73,800,000
Net income . . . . .	38,400,000	36,500,000
Net income per dollar of sales	6.1 cents	6.0 cents
Net income per common share	2.80	2.66
Dividends declared per common share . . . . .	1.80	1.70
Earnings retained in the business . . . . .	13,800,000	13,200,000
Cost of plant and equipment additions . . . . .	19,100,000	14,700,000
Current assets . . . . .	170,500,000	166,900,000
Current liabilities . . . . .	71,600,000	70,100,000
Working capital . . . . .	98,900,000	96,800,000

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PRESIDENT LEE S. BICKMORE

### TO NABISCO SHAREHOLDERS:

It is gratifying to report that NABISCO continued its program of expansion and growth in 1965. This was the Company's 68th year of operation, and both sales and earnings were the highest in our history.

Net sales for the year reached the record figure of \$627.3 million, an increase of approximately 3.3 per cent over 1964. This was the seventh straight year in which our sales topped the results for any previous year.

Earnings for the year showed a gain of 5.3 per cent over the previous year. Net income totaled \$38.4 million, equal to \$2.80 per share of common stock, compared with a net profit of \$36.5 million, or \$2.66 per share, a year earlier.

Operating income was slightly below 1964 results because of heavy advertising and promotion costs incurred in the successful launching of many new products and the effects of a two-week strike at our major bakeries in late September. Tax expense for 1965 was less than in the previous year, reflecting lower U.S. and British corporate income tax rates.

Quarterly dividend payments were raised to \$.45 per share, and a total of \$1.80 per share was declared during the year. This was the seventh consecutive year in which NABISCO has raised its dividends to shareholders.

Working capital (see table on p. 13) rose to \$98.9 million at the close of the year, up \$2.1 million over the previous year. The Company remains in excellent financial position — cash and marketable securities totaling \$65.6 million at year end.

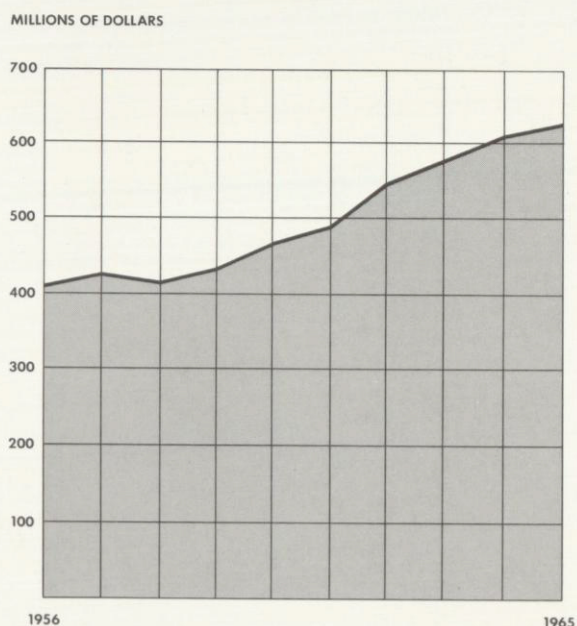
**CAPITAL EXPENDITURES** Total capital spending increased in 1965, amounting to \$19.1 million. This is up from the total of \$14.7 million spent in the previous year.

The chief domestic project in 1965 was the new cracker and cookie bakery nearing completion at Buena Park, California, near Los Angeles. The plant has begun actual production and will be in full operation within a short while. This bakery increases

NET SALES BY QUARTERS				
(MILLIONS OF DOLLARS)				
Quarter Ended		1965	1964	1963
March	31	\$154.9	\$148.3	\$142.0
June	30	152.8	147.1	140.4
September	30	158.3	153.2	145.2
December	31	161.3	158.9	150.8
Total		\$627.3	\$607.5	\$578.4



## Net Sales



our production capacity in one of the nation's fastest-growing areas.

New equipment to expand production of TEAM Flakes cereal, now being distributed throughout the country, was installed in Battle Creek, Michigan. A new installation at our Chicago bakery has improved production of a number of our chocolate-coated cookie products.

At Fair Lawn, New Jersey, the bakery has completed a new NABISCO Sugar Wafer unit which turns out an improved product more efficiently. In our Bread Division, a new continuous-mix installation is being added at the Syracuse bakery for our MILLBROOK Bread. Bulk flour-handling equipment is nearing completion at NABISCO's York, Pennsylvania pretzel bakery.

**NEW PRODUCT ACTIVITY** NABISCO has always felt a strong sense of obligation to the consumer. Through our products, packaging and service, value and convenience are provided to home-

makers and consumers world-wide. Only if our products and services demonstrate these values, can NABISCO continue to operate successfully. This involves constantly seeking to improve existing products and perfecting new items which are exciting and of value.

In recent years, a steady flow of new products has become a major marketing function of all leading manufacturers of consumer goods. Each year homemakers purchase a larger percentage of food products which were non-existent only a few years before. Consumers the world over are continually looking for new ideas in food; and they have come to expect that food suppliers will provide products which satisfy their changing needs and desires.

Developing new, highly acceptable products is a real challenge. In 1965, NABISCO brought out a large number of new and improved products which have been favorably received. (A list of these appears on page 8 of this report.)

Our new-product program will continue in 1966. High on the list is a completely new line of superb quality cookies developed specifically for the adult market. Named TIFFIN cookies, we believe they will be the finest obtainable. The TIFFIN line was introduced early in 1966 in several test markets, and if these tests are successful we plan to expand distribution as fast as possible.

Another area of equal importance to NABISCO is our developmental work in frozen foods. We are convinced this field has great potential, and we are giving considerable attention to our PASTRY CHEF line of frozen baked goods.

The activity of developing new products requires both additional research and increased effort in the



New Products Department. Our expenditures in these areas increased substantially in 1965. NABISCO's work in this direction has been greatly aided by a Research Committee which establishes goals and priorities for all research programs based on their potential for profitable development. Experimental facilities at the Fair Lawn Research Center are being expanded by a new building addition. The expansion more than doubles the laboratory space available for research and development work.

**INTERNATIONAL OPERATIONS** International operations were extended considerably in 1965, as NABISCO became affiliated with two more firms abroad. In June, the Company formed an association with the Italian firm of SAIWA, S. p. A., a leading biscuit company in Italy. SAIWA also produces a popular line of candy products and has a flour milling division. The offices and main plant are located in Genoa. This association greatly strengthens NABISCO's participation in the European Common Market economy.

In December, NABISCO became associated with A. Guerrero and Cia. Ltda., a prominent biscuit company in Nicaragua, Central America. The firm manufactures the popular line of Cristal Biscuits which are widely distributed throughout Central America. The operation has been renamed Industrias Nabisco-Cristal, S.A.

NABISCO's growth outside the United States continued during 1965. Sales and earnings of our associated and subsidiary companies abroad ran well ahead of 1964 results.

In Mexico, Nabisco-Famosa has begun a plant modernization program that will add a fourth band oven and generally refurbish facilities. These invest-

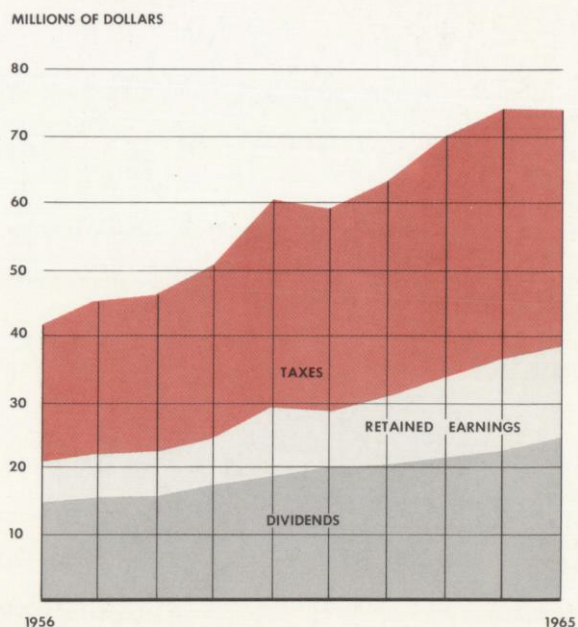
ments are necessary to keep up with sales growth. Construction of our new bakery at Melbourne, Australia, is underway. This new biscuit and cereal plant is scheduled for completion in 1967 and will enable Nabisco, Pty., Limited to expand its product lines substantially.

Arbona Hermanos, in Puerto Rico, is installing a bulk flour-handling system which will bring new efficiency to its production. New warehouse facilities are also being added to keep pace with the exceptional growth in the Caribbean islands.

In Great Britain, Nabisco Frears has opened a new sales and warehouse operation in Scotland to improve distribution in that market. Also in England, Nabisco Limited has expanded its MARY BAKER cake mixes and has become the leader in the prepared mix market.

One of NABISCO's newest international affiliates, Harry Trueller GmbH, has started production of our popular RITZ Crackers for West German consumers.

#### Distribution of Income Before Taxes





The German firm will also introduce a line of American-type sweet cookies. (A list of all International Affiliates appears on page 20 of this report.)

**PERSONNEL CHANGES** A number of personnel and organizational changes were made during the year 1965.

At the close of the year, George A. Mitchell, Executive Vice President since 1960 and a member of the Board of Directors since 1949, retired after 49 years of service with NABISCO. Mr. Mitchell has been a member of the Executive Department for eight years and has made significant contributions to the Company for a lengthy period.

On January 1, 1966, Mr. Mitchell was succeeded by Robert M. Schaeberle. The new Executive Vice President, 43 years of age, has served in a number of key financial, marketing and administrative posts. His youthful drive and enthusiasm will be important in the years ahead. Mr. Schaeberle has also been elected a Director of the Company and a member of the Executive Committee.

Other personnel changes during the year were:

Nile E. Cave, Senior Vice President and a member of the Board of Directors, was elected to the Board's Executive Committee on November 22.

Frank J. Gurgone, formerly Vice President — Corporate Development and Budgeting, was elected Vice President—Finance, effective January 1, 1966. He will continue to direct the corporate development and budgeting activities.

On June 23, Mr. Carl R. Pilz was elected Vice President—Purchasing, and Mr. John J. Toomey Vice President—Operations and Research. Both men have extensive service records with NABISCO and



R. M. SCHAEBERLE



N. E. CAVE



F. J. GURGONE



C. R. PILZ



J. J. TOOMEY



N. W. DESROSIER

are extremely well qualified for their assignments.

On September 1, Dr. Norman W. Desrosier was appointed Director of the Fair Lawn Research Center. He brings to the position an eminent record as a food scientist.

In December, NABISCO announced a reorganization of its Executive Department, effective January 1, 1966. Specific areas of operation have been assigned to each member of the department, and we believe the move is in step with the increasing scope and pace of our activities.

We would like to acknowledge the fine support of NABISCO employees, shareholders, customers and suppliers which we enjoyed throughout the year. Without this support, the progress achieved in 1965 would not have been possible.

Viewing the past year as a whole, your management looks forward to 1966 with confidence and enthusiasm.

President

February 24th, 1966



## **NABISCO SERVES THE HOMEMAKER**

Earlier in this report, we have commented on the strong sense of obligation which NABISCO feels toward those who buy and use our products. We believe that fulfilling this obligation to the best of our ability is the greatest possible assurance of a purposeful tomorrow for the company, its employees and its shareholders.

Value, convenience and service must be built-in features of the products NABISCO offers the consuming public. And the importance of these features has to motivate every action we take, whether it be the development of an entirely new product or the design of a shipping carton. From the introduction of our UNEEDA Biscuit in 1899 — the first individually-packaged, nationally-distributed baked product — to the hundreds of popular NABISCO products today, service to the homemaker has been and remains the essential ingredient.

## **FREEDOM OF CHOICE**

The vast range of food products in today's supermarkets has made consumers selective and value-conscious in their food purchases. Processors and manufacturers must cater to this selectivity. Serving the consumers' needs and preferences is the prime requisite, and it must be done consistently, day in, day out. For unless consumers, exercising their right of free choice, come to rely upon our brands and repeat their purchases of these products, we could not stay in business. This is a fact often overlooked by opponents of our free competitive system.

In seeking to serve the homemaker, NABISCO begins by assuring her of the quality of its products.

The quality of ingredients, scientifically controlled mixing and processing of those ingredients, and the use of the most sanitary and modern facilities insure that every NABISCO product meets the established standard. Over the years, this commitment to quality has made the red NABISCO triangle seal the homemaker's guarantee of excellence. She knows she can serve with pride the products bearing this seal to her family and her guests. The confidence the red NABISCO seal brings to the shopper is especially appreciated in today's marketplace where she is confronted with so many products, a great number of which are not well known.

## **EXTENSIVE RESEARCH**

NABISCO recognizes that it is difficult to satisfy consumer preferences unless we know what they are. To find out, we conduct extensive consumer interviews as the indispensable first step of any NABISCO undertaking. "Will this new product or new package — or an improvement in an existing product — satisfy a particular need of the consumer? . . . or is there still a better way of satisfying that need?" These are the questions that must be answered before an idea is accepted. They are answered by means of door-to-door interviews with American homemakers, and taste tests conducted both in the NABISCO test kitchens and by independent research organizations. The answers are ultimately checked in retail store tests where the homemaker's preferences are verified by her actual purchases. During this past year, numerous consumer research studies were made to help determine such factors as product recipe, taste, texture, appearance and packaging.

NABISCO packages, inside and out, are designed





Headquarters of SAIWA, S.p.A., Genoa, Italy

to serve the homemaker. As mentioned before, NABISCO pioneered modern packaging with one of the first pre-packaged food products. Through the years, this pioneering has continued. The PREMIUM Saltine Cracker and RITZ Cracker "Stack Packs" enable consumers to reclose the crackers, to keep them fresh "to the very last cracker." The "tin-tie" tops of NABISCO cookies in bags allow homemakers to keep them fresh in their original bags. The inner foil wraps of new FLINGS Curls insure that they will be crisp and flavorful every time they are served. SNACKMATE, a new line of processed cheeses in aerosol cans — currently being test-marketed by NABISCO — provides a new dimension in snacking convenience. Packages of various sizes are provided for families of various sizes. Individual portions of many varieties are packaged for store and counter service and for vending machines.

The outside of every NABISCO package also serves the homemaker. It is designed with her in mind —

with colors that please her eye, with a name and an illustration that clearly suggest the product's use, and, most importantly, with imaginative recipes specially developed for her in the NABISCO test kitchens.

NABISCO feels it can further serve the homemaker by communicating with her in other ways. By presenting attractive and informative advertising messages to her on television and radio and in newspapers and magazines, NABISCO is able to inform her of new-product uses and of helpful product benefits. Through the distribution of colorful recipe booklets, as well as through newspaper stories and radio and television appearances by NABISCO home economists, NABISCO is able to suggest new and better ways of preparing and serving foods in the American home. Her favorite store features colorfully displayed NABISCO products, promoted and timed to the homemaker's buying and serving needs.



## MODERN FACILITIES

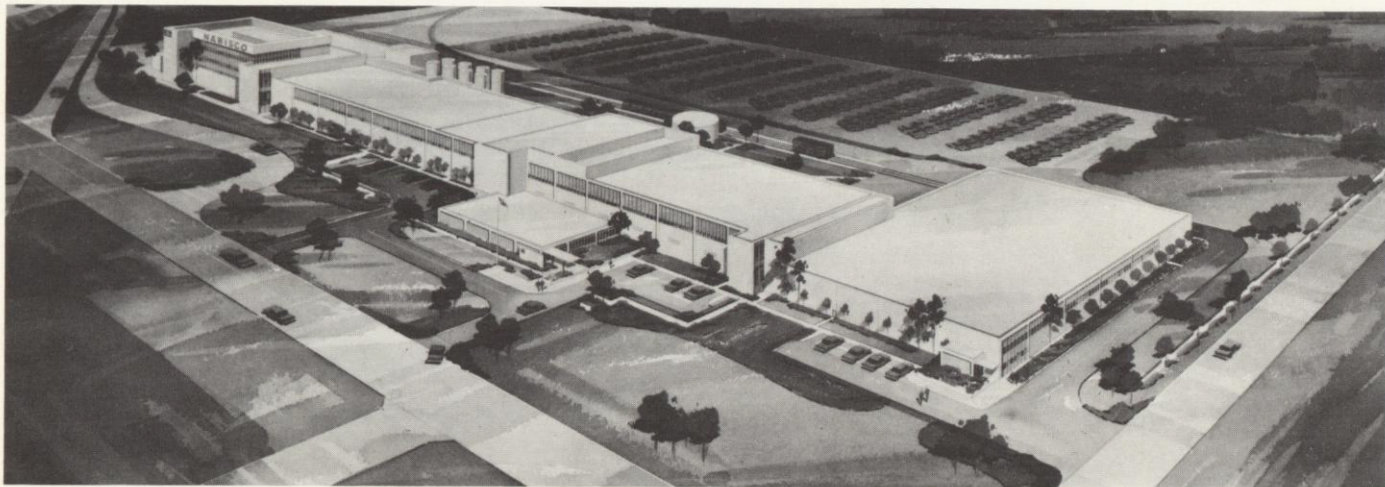
No manufacturer of food products can adequately serve its customers without the facilities to produce and distribute its products quickly and in sufficient quantity. Clean, modern processing and baking plants and a nationwide network of distribution centers assure a steady, round-the-clock flow of fresh merchandise quickly routed to food stores, wherever their location. All of these coast-to-coast facilities are constantly being expanded and improved to meet new demands, and better serve the American homemaker.

Perhaps the most important element in any organization dedicated to service is the people who render that service. NABISCO is especially fortunate in having a group of experienced employees who have willingly assumed this concept of service and obligation. A continuous program of development and training insures that NABISCO will have the people necessary to serve homemakers successfully with the finest in food products.

Here are some of the major new products introduced domestically by NABISCO in 1965:

**MEAL MATES** Sesame Bread Wafers  
**PARTY PARTNERS** Crackers  
**MERRY MAKERS** Crackers  
Chocolate Almond Cookies  
**DANISH RINGS** Cookies  
**PRIDE** Sandwich Assortment  
Cookie Treats Vanilla Flavored Creme Sandwich  
**FLINGS** Curls, Cheese Flavored  
**FLINGS** Curls, Chicken Flavored  
**FLINGS** Curls, Swiss 'n Ham Flavored  
Creme Wafer Sticks  
**HEY DEYS** Caramel Peanut Logs  
**TEAM** Flakes, (a four-grain cereal)  
**SNACK MATE** Cheese Spreads (six flavors)  
**CROWNS** Fancy Macaroons  
**MILLBROOK** Apple 'n Spice Donuts  
**MIRACLE-MIX** Bread—Freezer Pack  
**MILLBROOK** Brown 'n Serve Buttered Biscuits  
**SUGAR MAMA** Caramel Pops  
**WELCH'S** Imported Candy Line  
**ANGEL PIE** Candy  
**WELCH'S** Crispy Clusters

Our new cookie and cracker bakery at Buena Park, California









## NABISCO SERVES THE HOMEMAKER

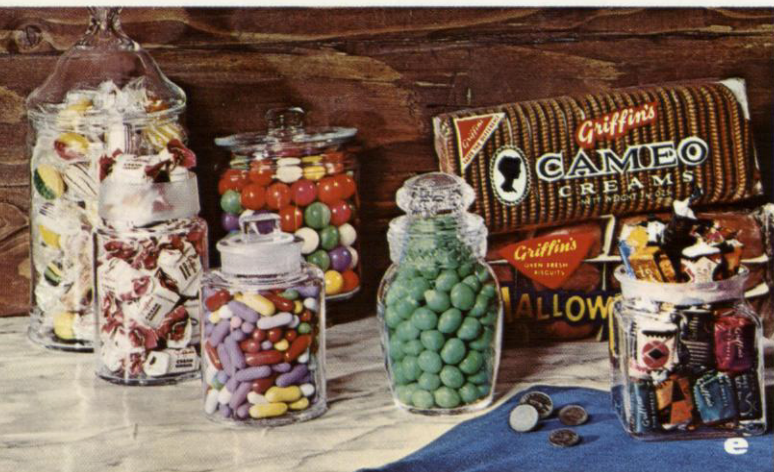
- a** Home Economists Test Service Suggestions
- b** New Products from Nabisco in 1965
- c** Informative Packages Help Shoppers
- d** Recipe Ideas Aid Home Party Making
- e** Convenience Products Ease Meal Preparation
- f** Packages Include Convenience Features











NABISCO expanded its international operations in 1965 and they now include plants and distribution facilities in 11 countries throughout the world. The photographs above show representative products of affiliated and subsidiary companies located in:

- a. England    b. Italy    c. Mexico    d. Canada
- e. New Zealand    f. France    g. Western Germany



# National Biscuit Company and Consolidated Subsidiaries

## HOW EACH NABISCO SALES DOLLAR WAS USED



31.5¢ to employees  
6.7¢ for taxes  
2.5¢ for depreciation  
.3¢ to management  
3.9¢ for dividends  
2.1¢ for reinvestment  
53.0¢ to suppliers

## SUMMARY OF OPERATIONS - 1965 (THOUSANDS OF DOLLARS)

We received from sale of our products . . . . .	<b>\$627,268</b>	100%
We expended for		
Raw materials, supplies and services bought from others . . . . .	<b>332,585</b>	53.0
Employees' services (wages, pensions, social security taxes, etc.) . . . . .	<b>197,467</b>	31.5
Direct taxes, except social security taxes . . . . .	<b>42,216</b>	6.7
Estimated wear and tear on plant and equipment . . . . .	<b>15,347</b>	2.5
Officers' salaries for management of the business . . . . .	<b>1,681</b>	.3
Leaving profits* which were		
Distributed as dividends to the shareholders . . . . .	<b>\$ 24,631</b>	3.9
Retained in the business for expansion and modernization . . . . .	<b>13,341</b>	2.1

\*National Biscuit Company also received interest and miscellaneous income of \$2,230,000 arising from activities not related to the manufacture or sale of its products, and incurred interest expense on subordinated debentures of \$1,734,000. These items, after taxes, added \$429,000 to net income.

## CHANGES IN CONSOLIDATED WORKING CAPITAL (MILLIONS OF DOLLARS)

	1965	1964	1963
<b>Funds Provided by</b>			
Net income . . . . .	<b>\$38.4</b>	\$36.5	\$33.9
Depreciation (reduces net income, but does not represent cash outlay) . . . . .	<b>15.3</b>	14.9	15.1
Total funds provided . . . . .	<b>53.7</b>	51.4	49.0
<b>Funds Applied to</b>			
Dividends declared . . . . .	<b>24.6</b>	23.3	21.7
Additions to plant and equipment . . . . .	<b>19.1</b>	14.7	11.8
Other items (net) . . . . .	<b>7.9</b>	3.6	.8
Total funds applied . . . . .	<b>51.6</b>	41.6	34.3
<b>Increase (decrease) in working capital . . . . .</b>	<b>\$ 2.1</b>	\$ 9.8	\$14.7
Consisting of changes in			
Cash and marketable securities . . . . .	<b>\$ (6.5)</b>	\$13.3	\$15.5
Accounts receivable . . . . .	<b>2.1</b>	2.1	.5
Inventories . . . . .	<b>8.0</b>	(1.2)	1.7
Current liabilities . . . . .	<b>(1.5)</b>	(4.4)	(3.0)
	<b>\$ 2.1</b>	\$ 9.8	\$14.7



*National Biscuit Company and Consolidated Subsidiaries*

**FINANCIAL POSITION**

	December 31, 1965	December 31, 1964
<b>CURRENT ASSETS</b>		
Cash . . . . .	\$ 16,349,000	\$ 17,083,000
Marketable securities (approximately market) . . . . .	49,269,000	55,060,000
Accounts receivable . . . . .	28,567,000	26,403,000
Inventories . . . . .	76,353,000	68,392,000
<b>TOTAL CURRENT ASSETS</b> . . . . .	<u>170,538,000</u>	<u>166,938,000</u>
<b>LESS CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses . . . . .	43,398,000	38,466,000
Common dividend payable . . . . .	6,158,000	5,817,000
Federal and foreign taxes on income . . . . .	22,124,000	25,854,000
<b>TOTAL CURRENT LIABILITIES</b> . . . . .	<u>71,680,000</u>	<u>70,137,000</u>
<b>WORKING CAPITAL</b> . . . . .	98,858,000	96,801,000
Investment in and advances to foreign subsidiaries, not consolidated . . . . .	31,825,000	21,055,000
Other assets . . . . .	11,138,000	11,259,000
Plants, real estate, machinery and equipment . . . . .	135,876,000	132,365,000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> . . . . .	<u>277,697,000</u>	<u>261,480,000</u>
<b>DEDUCT</b>		
4¾% subordinated debentures, due April 1, 1987 . . . . .	36,495,000	36,497,000
Deferred income taxes and investment credit . . . . .	10,542,000	8,093,000
<b>EXCESS OF ASSETS OVER LIABILITIES</b> . . . . .	<u>\$230,660,000</u>	<u>\$216,890,000</u>
<b>REPRESENTED BY</b>		
Capital stock, common . . . . .	\$ 68,460,000	\$ 68,460,000
Par value \$5—shares authorized 24,000,000, issued 13,691,922		
Additional paid-in capital . . . . .	923,000	923,000
Retained earnings . . . . .	161,277,000	147,507,000
	<u>\$230,660,000</u>	<u>\$216,890,000</u>

(Financial statements should be read in conjunction with notes appearing on pages 16 and 17.)



*National Biscuit Company and Consolidated Subsidiaries*

**INCOME AND RETAINED EARNINGS**

	<u>1965</u>	<u>1964</u>
<b>NET SALES</b> . . . . .	<b>\$627,268,000</b>	<b>\$607,463,000</b>
Cost of sales . . . . .	<b>381,621,000</b>	365,750,000
Selling, general and administrative expenses . . . . .	<b>143,782,000</b>	140,221,000
Depreciation . . . . .	<b>15,347,000</b>	14,864,000
Taxes (other than federal and foreign taxes on income) . . . . .	<b>13,187,000</b>	12,771,000
Interest and miscellaneous income . . . . .	<b>(2,230,000)</b>	(2,190,000)
Interest on subordinated debentures . . . . .	<b>1,734,000</b>	1,734,000
Federal and foreign taxes on income . . . . .	<b>35,426,000</b>	37,848,000
<b>TOTAL</b> . . . . .	<b><u>588,867,000</u></b>	<b><u>570,998,000</u></b>
 <b>NET INCOME</b> . . . . .	 <b>38,401,000</b>	 36,465,000
Retained earnings January 1 . . . . .	<b>147,507,000</b>	134,309,000
	<b><u>185,908,000</u></b>	<b><u>170,774,000</u></b>
Common dividends declared, \$1.80 per share in 1965, \$1.70 per share in 1964 . . . . .	<b>24,631,000</b>	23,267,000
Retained earnings December 31 . . . . .	<b><u>\$161,277,000</u></b>	<b><u>\$147,507,000</u></b>

(Financial statements should be read in conjunction with notes appearing on pages 16 and 17.)



*National Biscuit Company and Consolidated Subsidiaries*

**NOTES TO FINANCIAL STATEMENTS**

**INVENTORIES** generally are stated at average cost or market, whichever is lower, and comprise

	<u>1965</u>	<u>1964</u>
Raw materials and supplies . . . . .	\$ 45,740,000	\$ 40,530,000
Finished product . . . . .	30,613,000	27,862,000
	<u>\$ 76,353,000</u>	<u>\$ 68,392,000</u>

**INVESTMENT IN AND ADVANCES TO FOREIGN SUBSIDIARIES, NOT CONSOLIDATED** at December 31, 1965 includes approximately \$14,200,000 representing the Company's equity in tangible net assets of these subsidiaries; the balance consists principally of the remaining unamortized excess of cost of investment over tangible net assets acquired. Equity in combined net income and losses of unconsolidated subsidiaries for 1965 is not significant.

**OTHER ASSETS** at December 31, 1965 include \$8,848,000 of remaining unamortized excess of cost of investment over net tangible assets of consolidated foreign subsidiaries, and \$2,290,000 consisting principally of prepaid expenses and deferred charges.

**PLANTS, REAL ESTATE, MACHINERY and EQUIPMENT** are stated at cost and comprise

	<u>1965</u>	<u>1964</u>
Buildings . . . . .	\$ 92,803,000	\$ 89,611,000
Machinery and equipment . . . . .	192,676,000	180,072,000
	<u>285,479,000</u>	<u>269,683,000</u>
Less allowances for depreciation . . . . .	155,127,000	142,751,000
	<u>130,352,000</u>	<u>126,932,000</u>
Land . . . . .	5,524,000	5,433,000
	<u>\$135,876,000</u>	<u>\$132,365,000</u>

**INVESTMENT CREDIT** While continuing to amortize the investment credit over the lives of the qualifying assets, the Company changed its method of presentation in 1965. In the statement of income and retained earnings, amortization of the credit is now reflected in federal and foreign taxes on income. The deferred portion of the investment credit, formerly charged to depreciation expense and credited to federal and foreign taxes on income, is no longer reflected in these accounts. In the statement of financial position the unamortized balance has been transferred from allowances for depreciation to deferred investment credit. Results for 1964 are restated for comparability. The change in presentation has no effect on net income.

**LONG-TERM LEASES** Annual rentals on properties operated by the Company under leases expiring from 1969 to 1982 aggregate approximately \$3,230,000.



## *National Biscuit Company and Consolidated Subsidiaries*

### **NOTES** (continued)

**STOCK OPTION PLAN** In April 1964, the stockholders of the Company approved a Stock Option Plan authorizing the granting of options to officers and other key employees of the Company and its subsidiaries to purchase 250,000 shares of the Company's common stock at not less than 100% of the fair market value of the stock on the date the options are granted. All options must be exercised within a period of five years from the date granted and are not exercisable until after the second anniversary date. On January 1, 1965 there were options outstanding to purchase 92,100 shares at prices ranging from \$60.75 to \$68.00. Options for the purchase of 26,500 shares at \$59.1875 and 500 shares at \$65.25 were granted during 1965. There were no options exercisable during the current year and options for 3000 shares were cancelled with the result that at December 31, 1965 there were options outstanding to purchase 116,100 shares.

**CONSOLIDATED FOREIGN SUBSIDIARIES** are included in the financial statements for 1965 at the following U.S. dollar amounts (translated at appropriate rates of exchange): working capital, \$10,367,000; net plant assets, \$25,622,000; net sales, \$92,474,000; and net income, \$4,687,000.

### **REPORT OF AUDITORS**

#### **TO THE SHAREHOLDERS OF NATIONAL BISCUIT COMPANY:**

We have examined the statement of financial position of National Biscuit Company and consolidated subsidiaries as of December 31, 1965, and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the Company and consolidated subsidiaries for the year 1964.

In our opinion, the accompanying statements of financial position and income and retained earnings present fairly the financial position of National Biscuit Company and consolidated subsidiaries at December 31, 1965 and 1964, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, February 1, 1966



*National Biscuit Company and Consolidated Subsidiaries*

**TEN YEAR FINANCIAL REVIEW**

**Dollars in Millions** (except per share figures)

	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956
Net sales . . . . .	<b>\$627.3</b>	\$607.5	\$578.4	\$547.5	\$486.3	\$463.6	\$429.0	\$413.3	\$424.5	\$410.5
Earnings before income taxes . . .	<b>73.8</b>	74.3	70.7	63.8	59.2	60.8	51.2	46.4	45.7	41.9
Federal and foreign taxes on income	<b>35.4</b>	37.8	36.8	33.0	30.8	31.5	26.7	24.3	23.6	21.6
Net income . . . . .	<b>38.4</b>	36.5	33.9	30.8	28.4	29.3	24.5	22.1	22.1	20.3
Earnings retained in the business .	<b>13.8</b>	13.2	12.2	10.2	7.8	10.4	7.5	6.3	6.3	5.8
Net income per common share . .	<b>2.80</b>	2.66	2.47	2.22	1.98	2.04	1.78	1.59	1.59	1.45
Dividends declared										
Preferred stock . . . . .	—	—	—	.4	1.7	1.7	1.7	1.7	1.7	1.7
Common stock . . . . .	<b>24.6</b>	23.3	21.7	20.2	18.9	17.2	15.3	14.1	14.1	12.8
Per common share . . . . .	<b>1.80</b>	1.70	1.60	1.50	1.40	1.25	1.20	1.10	1.10	1.00
Current assets . . . . .	<b>170.5</b>	166.9	152.8	135.1	129.6	129.7	112.2	99.0	92.0	95.1
Current liabilities . . . . .	<b>71.6</b>	70.1	65.8	62.8	52.4	53.9	46.0	44.5	46.9	45.0
Working capital . . . . .	<b>98.9</b>	96.8	87.0	72.3	77.2	75.8	66.2	54.5	45.1	50.1
Plant and equipment (net). . . . .	<b>135.9</b>	132.4	132.1	136.5	125.3	121.4	121.3	130.0	133.0	123.3
Plant and equipment expenditures	<b>19.1</b>	14.7	11.8	24.0	16.8	11.5	8.4	9.7	21.6	15.7
Cost of employees' services . . . .	<b>197.5</b>	189.2	180.3	172.5	156.8	148.9	140.1	136.2	135.6	133.5
Provision for all taxes (except social security). . . . .	<b>42.2</b>	44.2	43.2	39.9	36.1	36.7	31.5	29.0	28.1	25.8
Book value of common stock . . .	<b>230.7</b>	216.9	203.7	191.5	195.7	187.8	171.1	163.7	157.4	151.1
Book value per common share . .	<b>16.85</b>	15.84	14.88	13.99	14.50	13.92	13.40	12.81	12.32	11.83
Number of shareholders. . . . .	<b>78,500</b>	80,000	80,500	81,400	83,200	77,300	75,800	75,700	75,600	72,300



## **DIRECTORS AND OFFICERS**

### **BOARD OF DIRECTORS**

LAWRENCE A. APPLEY  
LEE S. BICKMORE  
BERFORD BRITTAIN, JR.  
NILE E. CAVE  
WILLIAM H. COLVIN  
JESS H. DAVIS  
HARRISON F. DUNNING  
DON G. MITCHELL  
WILLIAM H. MOORE  
ALEXANDER C. NAGLE  
LIVINGSTON PLATT  
ROBERT M. SCHAEBERLE  
CARROL M. SHANKS  
PERRY M. SHOEMAKER  
ROY E. TOMLINSON

### **EXECUTIVE COMMITTEE**

LEE S. BICKMORE  
NILE E. CAVE  
JESS H. DAVIS  
DON G. MITCHELL  
ALEXANDER C. NAGLE  
LIVINGSTON PLATT  
ROBERT M. SCHAEBERLE  
ROY E. TOMLINSON

### **OFFICERS**

#### **EXECUTIVE DEPARTMENT**

LEE S. BICKMORE ..... President  
ROBERT M. SCHAEBERLE ..... Executive Vice President  
NILE E. CAVE ..... Senior Vice President  
C. EUGENE LAIR ..... Senior Vice President  
EDWARD A. OTOCKA ..... Senior Vice President  
CHARLES S. WEBSTER ..... Senior Vice President

#### **VICE PRESIDENTS**

JOSEPH H. BURGESS, JR.  
VAL B. DIEHL  
CECIL C. GAREY  
FRANK J. GURGONE  
FARISH A. JENKINS  
ROY K. KELLEY  
THOMAS K. KRUG  
FRANK K. MONTGOMERY, JR.  
EDWIN F. MUNDY  
CARL R. PILZ  
HARRY F. SCHROETER  
JOHN J. TOOMEY  
WILLIAM E. MACKAY, Vice President and General Counsel

. . .

KENNETH M. HATCHER ..... Secretary and Treasurer  
WARREN J. ROBERTSON ..... Controller



## PRINCIPAL DOMESTIC BAKERIES AND PLANTS

### BISCUIT AND CRACKER BAKERIES

Atlanta, Georgia  
Buena Park, California  
Chicago, Illinois  
Denver, Colorado  
Fair Lawn, New Jersey  
Houston, Texas  
Philadelphia, Pennsylvania  
Pittsburgh, Pennsylvania  
Portland, Oregon  
St. Louis, Missouri

### BREAD AND CAKE BAKERIES

Albany, New York  
Birmingham, Alabama  
Buffalo, New York  
Burlington, Vermont  
Cleveland, Ohio  
Elmira, New York  
Glens Falls, New York  
Plattsburgh, New York  
Rochester, New York  
Syracuse, New York

### CEREAL PLANTS

Battle Creek, Michigan  
Chester, Pennsylvania  
Minneapolis, Minnesota  
Niagara Falls, New York  
Oakland, California

### FLOUR MILLS

Carthage, Missouri  
Cheney, Washington  
Toledo, Ohio

### SPECIALTY BAKERIES AND PLANTS

Beacon, New York ..... (*printing plant*)  
Buffalo, New York ..... (*pet foods*)  
Cambridge, Massachusetts ..... (*candy*)  
Dayton, Ohio ..... (*ice cream cones*)  
Evanston, Illinois ..... (*machine shop*)  
Fair Lawn, New Jersey ..... (*research and development*)  
Holland, Michigan ..... (*Holland Rusk*)  
Los Angeles, California ..... (*candy*)  
Lyons, New York ..... (*dates and fruits*)  
Mansfield, Massachusetts ..... (*candy*)  
Marseilles, Illinois ..... (*paperboard, printing*)  
Woodbury, Georgia ..... (*dates and pimientos*)  
York, Pennsylvania ..... (*pretzels*)

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## INTERNATIONAL SUBSIDIARIES

### AUSTRALIA:

Nabisco, Pty., Limited

### CANADA:

Christie, Brown & Company, Limited  
Matthews-Wells Company, Limited  
Nabisco Limited:

Christie's Bread Division/ Nabisco Foods Division

### ENGLAND:

Nabisco Limited:  
Nabisco Foods Division  
Nabisco Frears Biscuits Division

### FRANCE:

Biscuits Belin, S.A.  
Biscuits Gondolo, S.A.

### GERMANY:

Harry Trueller GmbH

### ITALY:

Saiwa, S.p.A.

### MEXICO:

Nabisco-Famosa, S.A.

### NEW ZEALAND:

Griffin and Sons, Limited

### NICARAGUA:

Industrias Nabisco-Cristal, S.A.

### PUERTO RICO:

Arbona Hermanos Division

### VENEZUELA:

Nabisco-La Favorita, C.A.





NATIONAL BISCUIT COMPANY, 425 PARK AVENUE, NEW YORK, N.Y. 10022

**TRANSFER AGENT:**

*Morgan Guaranty Trust Company of New York  
23 Wall Street, New York, N. Y. 10015*

**REGISTRAR:**

*The First National City Bank  
55 Wall Street, New York, N. Y. 10015*

**DEBENTURE TRUSTEE:**

*Bankers Trust Company  
280 Park Avenue, New York, N. Y. 10017*



